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PHARMACARE NEWSLETTER

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This newsletter provides information on the PharmaCare program for British Columbia's community pharmacists. Please circulate among dispensing staff.

PharmaCare on the Web:
www.healthservices.gov.bc.ca/pharme

The Ministry of Health Services has received a number of questions about the Remicade® audit. The purpose of this newsletter is to give pharmacists background information regarding the audit function and to update pharmacists about the audit activities concerning the claims and PharmaCare's actual acquisition cost policy.

PharmaCare Audit

PharmaCare is a publicly funded program of the Ministry of Health Services. The ministry has a duty to ensure all funds are spent appropriately. With respect to PharmaCare, this means that paid claims must be in accordance with the Participation Agreement and PharmaCare policies and procedures.

To assess compliance with PharmaCare policies, the PharmaCare Audit section conducts audits of pharmacies throughout British Columbia.

The standard audit process is outlined in the PharmaCare Newsletter of May 27, 2004 and in the PharmaCare/PharmaNet: Policies and Procedures Manual, Section 6.7.

PharmaCare pays 15.7 million claims each year (over 43,000 claims a day). Technological advances have enabled prompt electronic processing and weekly payment of an average 15 million dollars per week to about 900 pharmacies. However, with more efficient processing and payment of claims, pharmacists are obligated to ensure accurate submission of claims. Because the adjudication and payment process, which once took a month, now occurs in "real time," audit occurs after payment has been made.

The vast majority of the 15.7 million claims are accurate and error free. However, from time to time, when a claim error results in an overpayment by PharmaCare, the Financial Administration Act requires the ministry to recover the public funds expended. Auditing millions of claims is a lengthy process and can often cover claims submitted in error over a number of years. For this reason, pharmacies are required to retain documentation, for audit purposes, for a minimum of three years from the date of the last refill of a prescription (PharmaCare/PharmaNet: Policies and Procedures Manual, Section 6.6).

The majority of pharmacists endeavour to follow established policies and procedures and, when errors are discovered as a result of the audit process, pharmacists respond quickly to make corrections to ensure that the error does not occur in the future.

When an audit occurs, there is a 30-day response period provided once a pharmacy has received a Draft Audit Report (PharmaCare/PharmaNet: Policies and Procedures manual, Section 6.7). This response period gives pharmacists an opportunity to supply additional information and/or documentation to the audit team. In some instances, the additional information results in a recalculation of the recovery amount.

This open and iterative dialogue is critical to the audit process and enhances the validity and reliability of the audit results. The cooperation and input of pharmacists ensures a fair and standard application of PharmaCare policies and procedures.

Remicade® Audit of Actual Acquisition Cost (AAC) – Update

The Ministry of Health Services is currently conducting an audit of claims based on the AAC of Remicade®. It should be noted that concerns have been raised as a result of the audit, however, the audit continues as scheduled and the audit recoveries remain due as stated in the audit letters.

To date, the audit has involved 181 pharmacies. Of these 181 pharmacies, only eight pharmacy audits resulted in recoveries over $5,000. The estimated total recovery amount is $385,000. To date, pharmacies have made recovery payments in excess of $250,000. The cooperation and assistance exhibited by the pharmacists involved is appreciated. The ministry anticipates expanding the audit to an additional fifty pharmacies in the coming months.

Actual Acquisition Cost (AAC) — Pharmacy Contractual Obligations

While previous onsite audits have indicated that pharmacies claim ingredient cost at AAC in accordance with PharmaCare policy, the Remicade® audit revealed that some pharmacies have added an "upcharge" (mark-up) to the AAC in the Drug Cost field.

This practice is contrary to both PharmaCare policy concerning AAC and the contractual obligation of pharmacies to claim only AAC—not just for Remicade®, but for all drugs. Therefore, any pharmacy adding an upcharge cost to AAC in the Drug Cost field should cease doing so immediately.

The policy requiring pharmacies to submit only their AAC as the ingredient cost of a claim is clearly stated in the Pharmacy Participation Agreement and in numerous policy statements (e.g., in the PharmaCare/PharmaNet: Policies and Procedures manual, Section 6.7; in PharmaCare Newsletters #95-04 and #91-01; and on the PharmaCare Web site in the Frequently Asked Questions section).

Any upcharge over AAC paid by PharmaCare will be recovered as stated in the PharmaCare/PharmaNet: Policies and Procedures manual, Section 10.5.1.

PharmaNet Drug Cost and Upcharge Fields

PharmaNet specifications allow local pharmacy software to provide both a Drug Cost field and an Upcharge Cost field. However, the Upcharge Cost field has been optional, so not all pharmacy software includes this field. If local pharmacy software does include the Upcharge cost field, PharmaNet ignores the field when adjudicating claims.

On April 27, 2004, PharmaCare sent out a short survey to assess the use of the Upcharge Cost field. Of the nine software vendors surveyed, two did not respond, four indicated that the field was operational in their local software and three indicated the field was not operational in their software but could be made operational with "minimal effort." The results of the survey indicate that implementing the Upcharge Cost field in pharmacy software is not a major issue.

As mentioned earlier, PharmaCare does not require—nor does PharmaNet adjudicate—the Upcharge Cost field. However, to assist pharmacies in meeting their business needs, the Upcharge Cost field will be made mandatory for all PharmaNet-compliant pharmacy software. To ensure that the Upcharge Cost field executes correctly, without interfering with existing fields, standard procedures and requirements for implementing changes to vendor software will apply.

PharmaCare will issue a PharmaNet Bulletin outlining the business and technical requirements for implementing and using the Upcharge Cost field. The bulletin will be distributed to all software vendors. Additionally, the PharmaNet Professional and Software Compliance Standards documentation will be updated accordingly.

All changes made to the adjudication module of pharmacy software require re-certification of the software. Software vendors are permitted a maximum of six months to develop, re-certify and install the code. We anticipate that most vendors can provide updated code well in advance of this time frame.

Proper Use of the Drug Cost Field

The Drug Cost field is a mandatory field for PharmaCare adjudication and is compliance tested. The Drug Cost field should contain only the AAC and is adjudicated trusting that AAC is the only amount in that field.

The contractual obligation of pharmacies to submit only AAC in the Drug Cost field remains PharmaCare policy. The practice of adding an upcharge in the Drug Cost field should be stopped immediately. The ingredient cost paid is subject to audit to ensure compliance with AAC policy and overpayments will be recovered.

Pharmacy Business Practices

One of the issues brought to PharmaCare's attention from the audit was confusion about pricing policy from suppliers. PharmaCare is not responsible for the business practices or business needs of individual pharmacies.

- The business relationship between a pharmacy and its suppliers, and a pharmacy's rebate arrangements with a supplier, are the pharmacy's responsibility.
- Any changes to pharmacy software to allow for pharmacy (versus PharmaCare) business requirements for an Upcharge Cost field are to be addressed by the pharmacy and their software vendor.

Pharmacy Cooperation

The audit of Remicade® has revealed a number of important issues that will help to prevent future claims errors. The pharmacists' cooperation in, and support of, the audit process is appreciated.